

SPECIAL EDITION
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Retirement News for Employers

Helping Business Owners with Retirement Plans

Internal Revenue Service Tax Exempt and Government Entities

“We are doing everything we can to help Hurricane Katrina victims rebuild their lives”

- IRS Commissioner Mark Everson.

An Easy Way for Businesses and Employees to Help Hurricane Victims:

Leave Donation

In this time of extreme need, the IRS is doing all that it can to help out. An innovative way to help the victims of Hurricane Katrina is the “[Leave Donation Program](#).” Employees who want to help their fellow citizens can ask their employers to convert their unused vacation, sick or personal leave into a cash donation to tax-exempt organizations providing relief to the citizens of the Gulf Coast.

The [IRS Leave Donation Program site](#) has lots of plain-language information dedicated to this initiative, including:

- Benefits for Employees;
- Benefits for Employers; and
- Program Guidelines.

You’ll also find [Program FAQs](#) for employees and employers. There’s also a [one-page overview](#) of how the program works.

Leave donation is easy and painless to do. Employees don’t pay taxes on the value of the leave they forgo. Employers may deduct cash payments to a qualified tax-exempt organization as charitable contribution deductions or as business expense deductions.

Also, the [main IRS web site](#) has a [Hurricane Katrina page](#) featuring:

- Tax Relief for Hurricane Katrina Victims;
- How to Make Your Hurricane Relief Donations Count; and
- Federal Government Hurricane-related Web Sites.

We encourage all of our subscribers to consider whether the Leave Donation Program works for their – and their employees’ – situations.

If you can help, please do. ■



Disaster Relief: Help From the IRS and Retirement Plans

In the aftermath of Hurricane Katrina, the IRS has been pitching in to help with efforts including IRS workers staffing phone banks for FEMA, easing the way for people to convert unused leave into charitable donations, and more.

Another piece of help was announced on September 15, when the IRS, Treasury and DOL provided – for the first time ever – broad-based relief to retirement plan participants affected by a major disaster.

Participants in 401(k) plans, 403(b) tax-sheltered annuities, and certain 457 deferred-compensation plans may be eligible to take advantage of these streamlined loan procedures and liberalized hardship distribution rules. Though IRA participants are prohibited from taking out loans, they may be eligible to receive distributions under liberalized procedures.

“As in other areas, we are doing everything we can to help Hurricane Katrina victims rebuild their lives,” said IRS Commissioner Mark W. Everson. “This relief will make it possible for people to get their retirement money more quickly with a minimum of red tape.”

Retirement plans can provide this relief to employees and certain members of their families who live or work in the disaster area. To qualify for this relief, hardship withdrawals must be made by March 31, 2006.

The IRS is also relaxing procedural and administrative rules that normally apply to retirement plan loans and hardship distributions. As a result, plans can make loans or hardship distributions before the plan is formally amended to provide these features. Plans can also ignore limits that normally apply to hardship distributions so that the money could be used for food and shelter. In addition, the six-month ban on 401(k) contributions that normally affects employees who take hardship distributions will not apply.

As a result, impacted participants can take a hardship distribution or borrow up to the specified statutory limits from their retirement plan to repair or replace a home or for some other purpose. It also means that a person who lives in another part of the country can take out a retirement plan loan or hardship distribution and use it to assist a family member or other dependent who lived or worked in the disaster area.

More information about this relief can be found in IRS [Announcement 2005-70](#). Go to the [main IRS web site](#) for more Hurricane Katrina-related information. ■

Filing and Funding Relief

On September 8, the IRS [announced](#) that victims of Hurricane Katrina will have until January 3, 2006 to file any returns (including Form 5500), pay any taxes or make any deposits due.

In addition to the tax filing extension, the IRS, EBSA and the PBGC are providing relief in regard to minimum funding contributions and to funding waiver applications due to the damage in the Gulf Coast area caused by Hurricane Katrina.

[Notice 2005-60](#) provides relief for certain employee benefit plans in the affected parishes and counties declared disaster areas because of Hurricane Katrina. These plans will have until October 31, 2005 to make minimum funding contributions, or apply for waivers, if the deadline for such actions was from August 29, 2005 through October 30, 2005. For impacted Florida residents, the timeline starts August 24.

See the Notice for details on the affected plans and the relief provided. ■